



中国通信服务
CHINA COMSERVICE

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED
STOCK CODE: 552

Annual Results 2011

March 29, 2012

MANAGEMENT

MR. LI PING

**EXECUTIVE DIRECTOR
& CHAIRMAN**

MR. ZHENG QIBAO

**EXECUTIVE DIRECTOR
& PRESIDENT**

MS. HOU RUI

**EXECUTIVE DIRECTOR
& CFO**

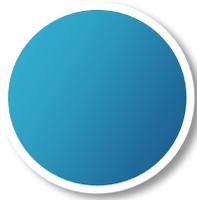
AGENDA



Overview



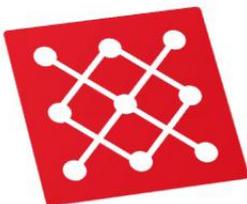
Business Review



Financial Results

OVERVIEW

HIGHLIGHTS



中国通信服务
CHINA COMSERVICE

Revenue and net profit increased by 17.8% and 17.2% respectively. The growth rates are both higher than those in 2010.

Revenue from domestic operator market increased by 15.9% and our leading position was further strengthened.

Revenue from overseas market sustained rapid growth of 56.0%, contribution to total revenue further increased to 6.5%.

Strengthened capabilities and resources through joint venture and cooperation to enhance our sustainable development momentum.

Note: Historical data were restated to include the retrospective impact of adopting IFRS 1 amendment

SOLID FINANCIAL PERFORMANCE

- ➔ Revenue & net profit reached RMB53.5 billion and RMB2.1 billion respectively, with EPS of RMB0.366/share
- ➔ ROE further increased to 13.2% and shareholder returns continued to grow

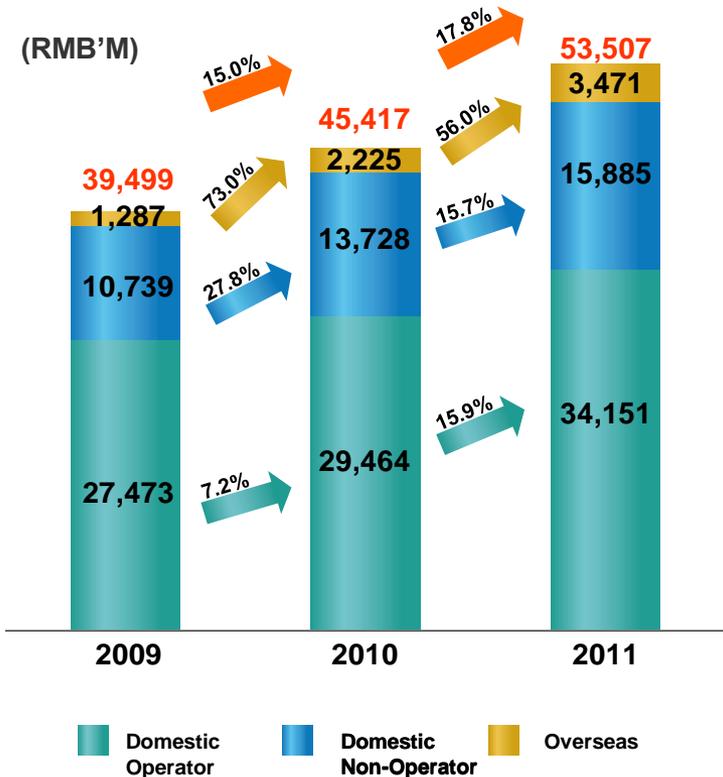
(RMB'M, except EPS & % figures)

	2010	2011	Change
Revenue	45,417	53,507	17.8%
Gross Profit	7,393	8,509	15.1%
Gross Profit Margin	16.3%	15.9%	-0.4pp
Net Profit	1,804	2,115	17.2%
Net Profit Margin	4.0%	4.0%	-
EPS (RMB)	0.313	0.366	17.2%
ROE	12.3%	13.2%	+0.9pp

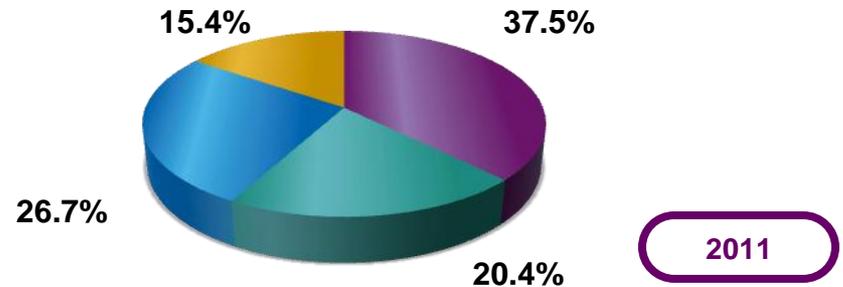
FAVOURABLE GROWTH IN ALL THREE MARKETS

- Revenue growth of domestic operator market accelerated from 7.2% in 2010 to 15.9% in 2011
- Revenue from overseas market sustained rapid growth and increased by 56.0%

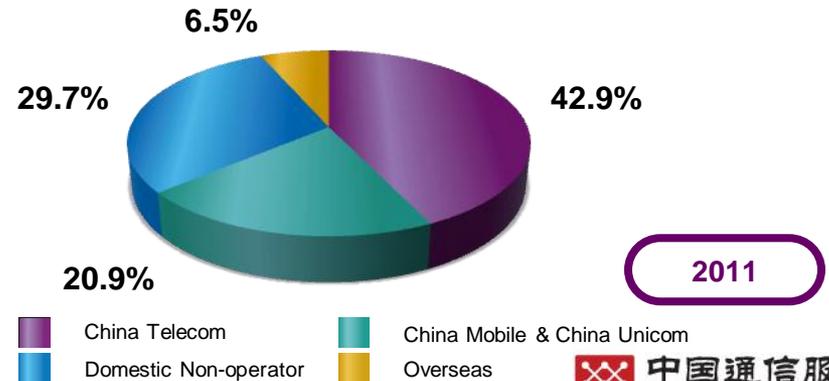
Revenue by Customer



Incremental Revenue Mix by Customer



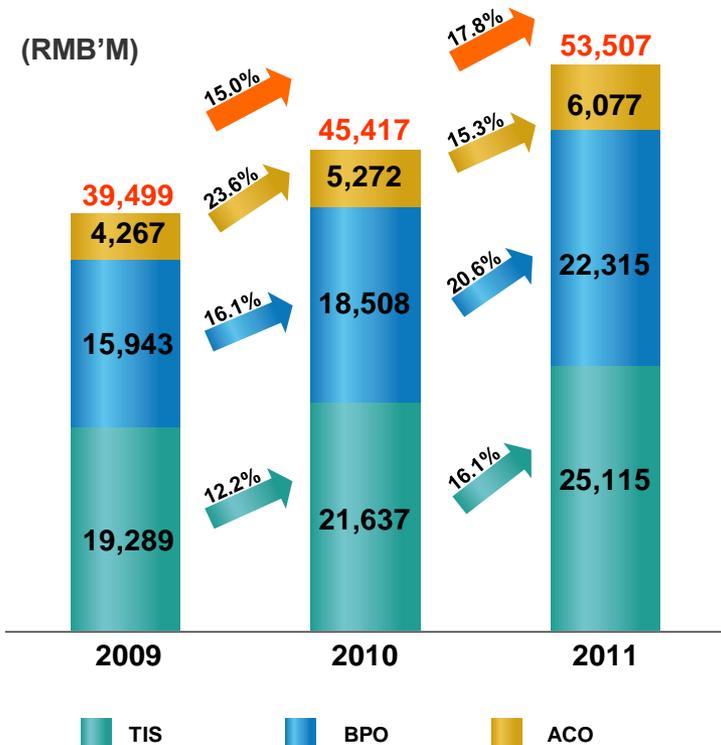
Revenue Mix by Customer



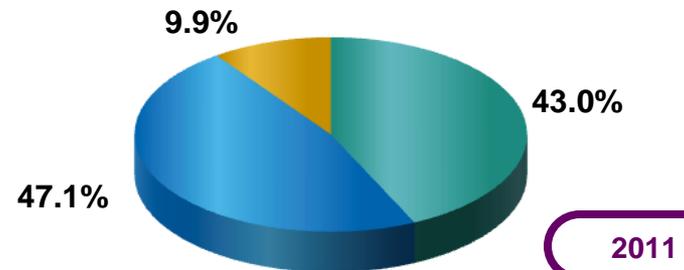
STEADY DEVELOPMENT OF BUSINESSES

- ➔ Revenue growth of TIS expedited from 12.2% in 2010 to 16.1% in 2011
- ➔ Revenue from BPO increased by 20.6%, driven by rapid growth of maintenance and distribution business

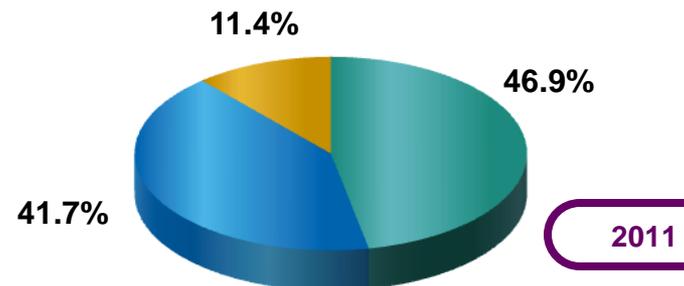
Revenue by Business



Incremental Revenue Mix by Business



Revenue Mix by Business



ENHANCED CAPABILITIES BY JOINT VENTURES AND COOPERATIONS

- ➔ Improved competitiveness of products and branding by forming JV with leading technology companies
- ➔ Gained new businesses by forming JV with companies possess strong customer base
- ➔ Implemented share ownership scheme by core employees for qualified projects

Expand the wireless network optimization business



+ Bytemobile

Improve the mobile Internet service and products



Sybase
Core Employees

Expand the Customer Premises Network ('CPN') business



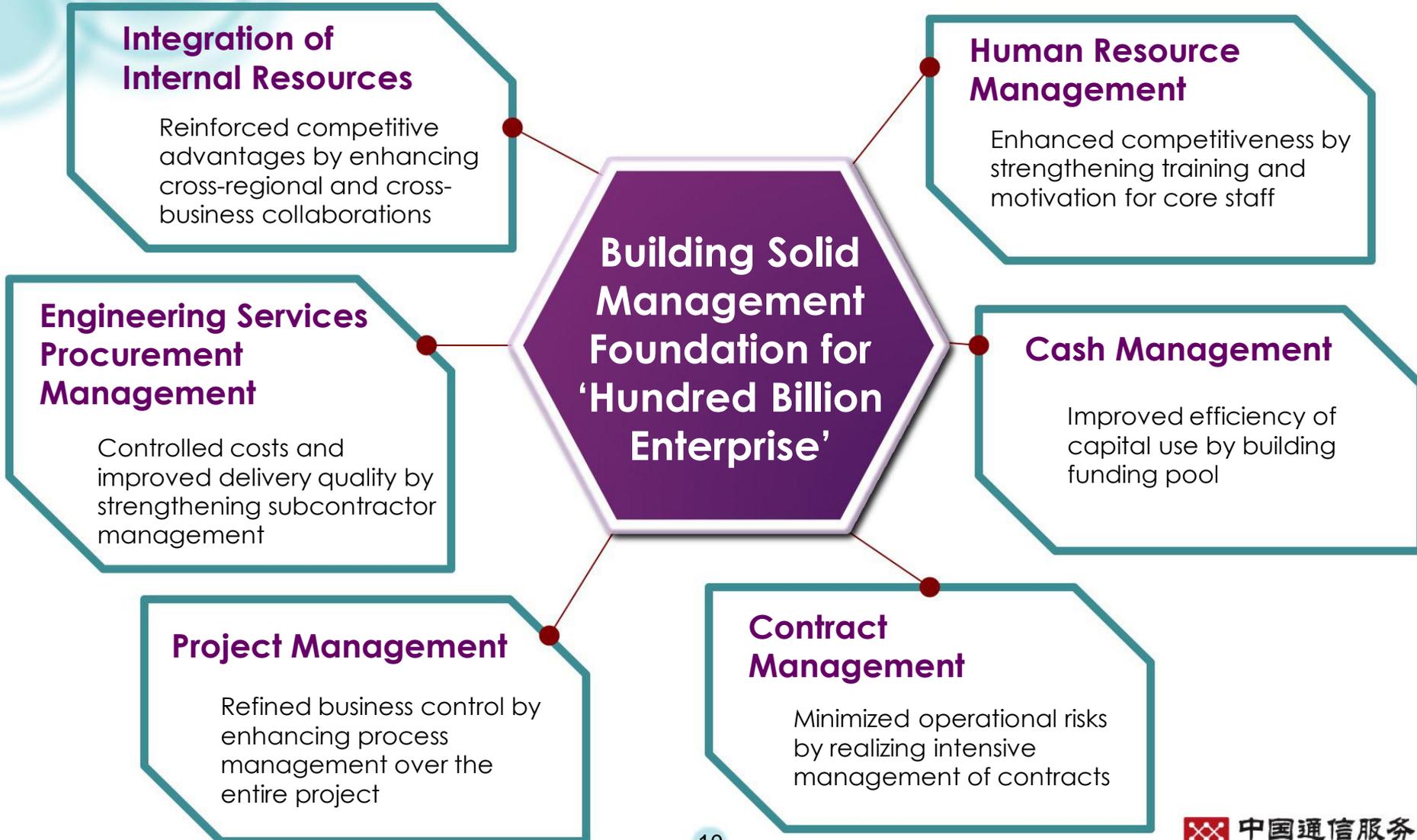
+ Shanghai Information Pipeline Co., Ltd

China Communication Service Application and Solution Technology Co.,Ltd.

China DataCom Corporation Limited

Shanghai Infrastructure Communications & Network Co., Ltd.

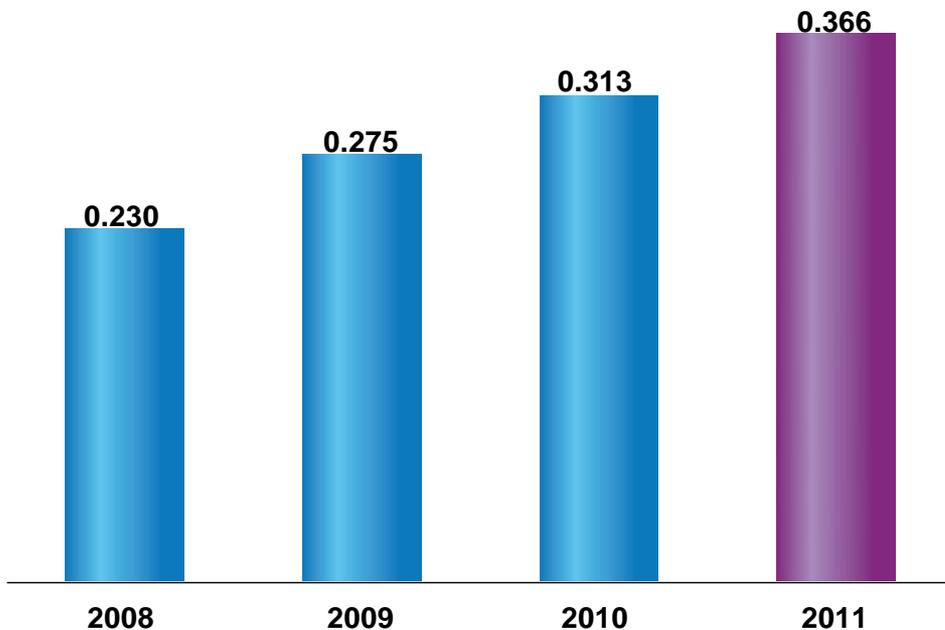
IMPROVED OPERATIONAL EFFICIENCY BY STRENGTHENING MANAGEMENT



CREATED FAVOURABLE RETURNS FOR SHAREHOLDERS

EPS

(RMB / Share)



➔ EPS increased steadily from RMB0.230/share in 2008 to RMB0.366/share in 2011

➔ Maintained 40% dividend payout ratio¹ after considering the interests of and returns to shareholders as well as the capital requirements for our long-term development

➔ The Board proposed a final dividend of RMB0.1222 per share² for 2011

Note:

1. Dividend payout ratio is the total dividend divided by profit attributable to equity shareholder
2. Dividend per share is calculated with reference to the number of shares after the rights issue completed in February 2012

PROSPECTS

Market Opportunities

- ➔ **Steady increase in CAPEX & OPEX and continuous investment in 3G, broadband and Wifi by domestic operators**
- ➔ **Ample market potential for informatization construction in China from strong demand by domestic non-operator market**
- ➔ **Enormous demands for communication infrastructure construction and informatization solutions by overseas operators and industrial customers**

China Comservice World-Class Information Networks Builder

Rich Experience
Superior Capabilities
Excellent Team

- Focus on the three markets and allocate resources flexibly to maximize the Company's value
- Steer our way with innovation, and devoted to develop the two 'new engines' and achieve breakthrough in domestic non-operator market and overseas market
- Enhance efficiency through intensive management and reinforce the six management aspects to improve the Company's returns
- Steadily improve our service quality and response time to customers by promoting our customer-orientated corporate culture embodying the philosophy of "the highest excellence is like that of water"

BUSINESS REVIEW

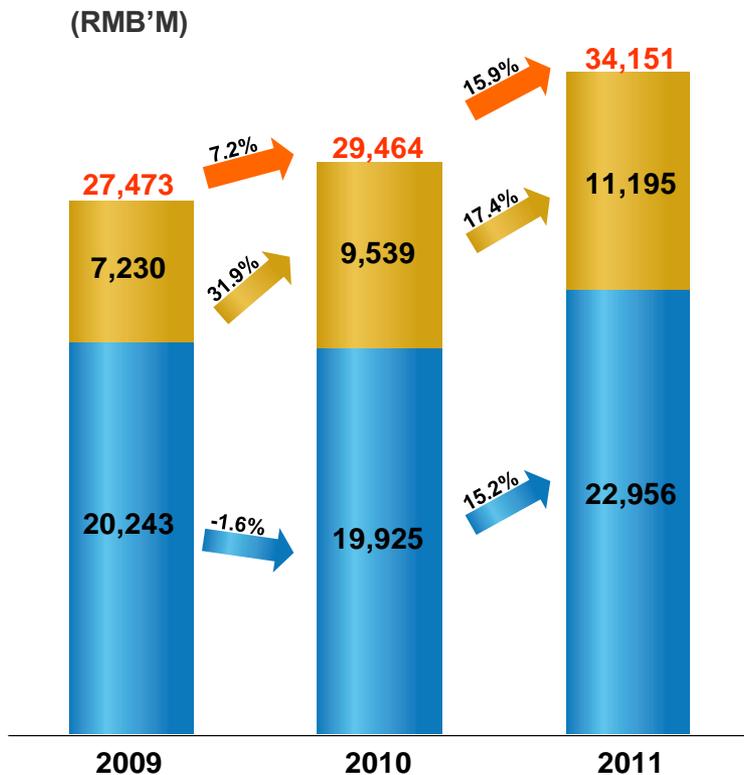
REVENUE BREAKDOWN

(RMB'M)	2010	2011	Change	% of Revenue
TIS	21,637	25,115	16.1%	46.9%
<i>Design</i>	4,454	5,110	14.7%	9.5%
<i>Construction</i>	15,797	18,330	16.0%	34.3%
<i>Supervision</i>	1,386	1,675	20.8%	3.1%
BPO	18,508	22,315	20.6%	41.7%
<i>Maintenance</i>	4,270	5,276	23.6%	9.9%
<i>Distribution</i>	11,956	14,443	20.8%	27.0%
<i>Facility Management</i>	2,282	2,596	13.8%	4.8%
ACO	5,272	6,077	15.3%	11.4%
<i>IT Applications</i>	2,638	3,106	17.7%	5.8%
<i>Internet Services</i>	484	537	11.0%	1.0%
<i>Voice VAS</i>	706	746	5.7%	1.4%
<i>Others</i>	1,444	1,688	16.8%	3.2%
Total	45,417	53,507	17.8%	100.0%

Note: TIS refers to Telecommunications Infrastructure Services
 BPO refers to Business Process Outsourcing Services
 ACO refers to Applications, Content and Other Services

DOMESTIC OPERATOR MARKET (1/2): LEADING POSITION FURTHER REINFORCED

Revenue by Customer



China Telecom

China Mobile and
China Unicom

- Expedited revenue growth from domestic operator market : 7.2% in 2010 to 15.9% in 2011
- Further recognized service quality by customers, revenue from China Mobile and China Unicom together increased rapidly by 17.4%
- Rapid increase in revenue from TIS business among domestic operators of 15.1% by seizing the valuable opportunity of telecom operator CAPEX resumption
- Actively explored the northern market by establishing a subsidiary in Shandong province and endeavored to expand the network construction and maintenance business
- Project participated by us received industry recognition on service quality: "China Telecom Prime IP Backbone Network (CN2) Construction Project", won the first "National Prime-Quality Project Gold Award" (Telecom Category)

DOMESTIC OPERATOR MARKET (2/2): REALIZING OUR ADVANTAGE OF INTEGRATED SERVICE

Revenue by Business

(RMB'M)	2010	2011	Change
TIS	16,409	18,889	15.1%
BPO	10,272	12,195	18.7%
ACO	2,783	3,067	10.2%
Total	29,464	34,151	15.9%

➔ Enhanced service quality by leveraging our advantage of integrated “Construction, Maintenance and Optimization” service model, and revenue from maintenance business among domestic operators rapidly increased by 22.6%

➔ Base stations under our maintenance > 200K, up ~25% y-o-y

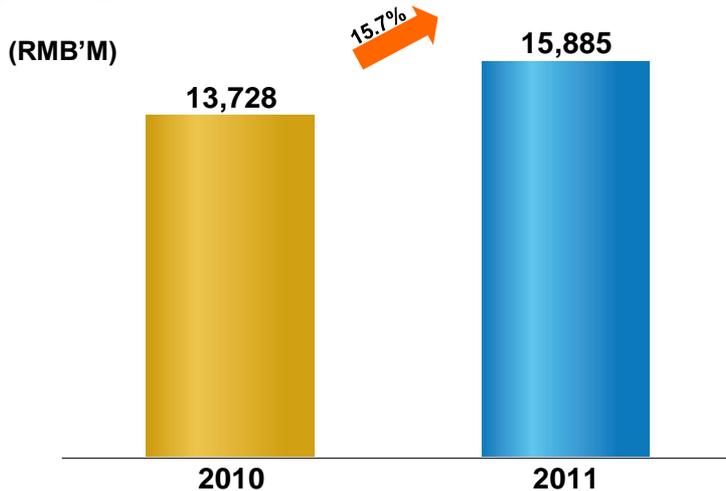
➔ Seized the opportunity of rapid development of mobile data and the mobile Internet business through assisting operators to distribute communications equipments and smart phones, etc., and revenue from the distribution business among telecom operators increased by 18.1%

➔ Mapped out plans for potential businesses:

- Formed JV with Sybase and Bytemobile and provided better services to operators, such as mobile payment, software development and wireless network optimization, etc.
- Built low-carbon machine rooms for operators and seized the opportunity from energy saving and emission reduction

DOMESTIC NON-OPERATOR MARKET: MAINTAINED STABLE GROWTH

Revenue from Domestic Non-Operator Market



(RMB'M)	2010	2011	Change
TIS	3,681	4,290	16.6%
BPO	7,797	9,191	17.9%
ACO	2,250	2,404	6.8%
Total	13,728	15,885	15.7%

➔ **Achieved breakthrough in integrated project expansion and signed more than 100 sizable projects such as:**

- 'Safe city' project in Chongqing
- Navigation project for canal between Beijing-Hangzhou
- Informatization project in new district of Zhoushan Islands

➔ **Explored market together with operators:**

- Informatization system construction project for Xi'an International Horticultural Expo
- Data networks project for China Oil in 10 cities
- Cloud computing center in Jiangsu province - ZhenJiang

➔ **Replicated more than 105 successful solutions, including urban pipelines, video surveillance and weak current engineering projects, etc.**

➔ **Established resources sharing mechanism to search for value enhancing industries and customers**

OVERSEAS MARKET(1/2): SUSTAINED RAPID GROWTH

➔ Overseas revenue reached RMB3.5 billion in 2011 with CAGR of ~ 70%; % of total revenue reached 6.5%, up 4.7pp over 2007. These were mainly due to:

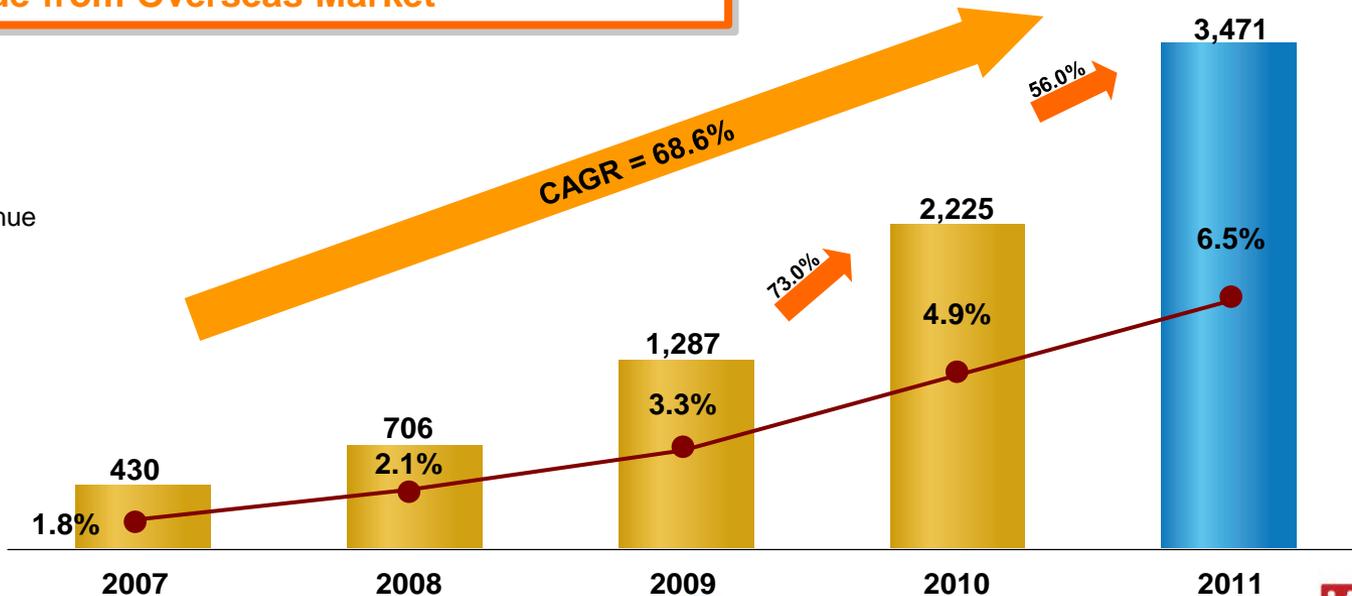
- Demands in communications infrastructure construction (including fiber-optic network and base stations) from developing countries in Africa and Asia-Pacific, etc.
- Demands in constructing high-speed communications network from operators, including FTTx, 2G to 3G and LTE upgrade
- Demands in informatization construction from government and enterprise customers, including e-commerce, e-government and ICT industry applications

➔ Possessing talents and experience in serving the world's largest fixed and mobile network and IP internet network, we have competitive advantages in overseas market in terms of cost and quality

Revenue from Overseas Market

(RMB'M)

●—●
% of total revenue



OVERSEAS MARKET (2/2): ENHANCING CAPABILITY AND MANAGING RISKS TO ACHIEVE BREAKTHROUGH IN SCALE

Signed strategic cooperation agreements with financial institutions such as China Export & Credit Insurance Corporation and Export-Import Bank of China, etc., to enhance our financing capability and development ability for turnkey projects

Signed strategic cooperation agreements with several leading equipment vendors; explored ways to enhance efficiency and projects execution capability to raise profitability for subcontracting projects

Overseas Market

Signed cooperation agreements with large Chinese enterprises to complement each other's strength and to expand overseas markets together

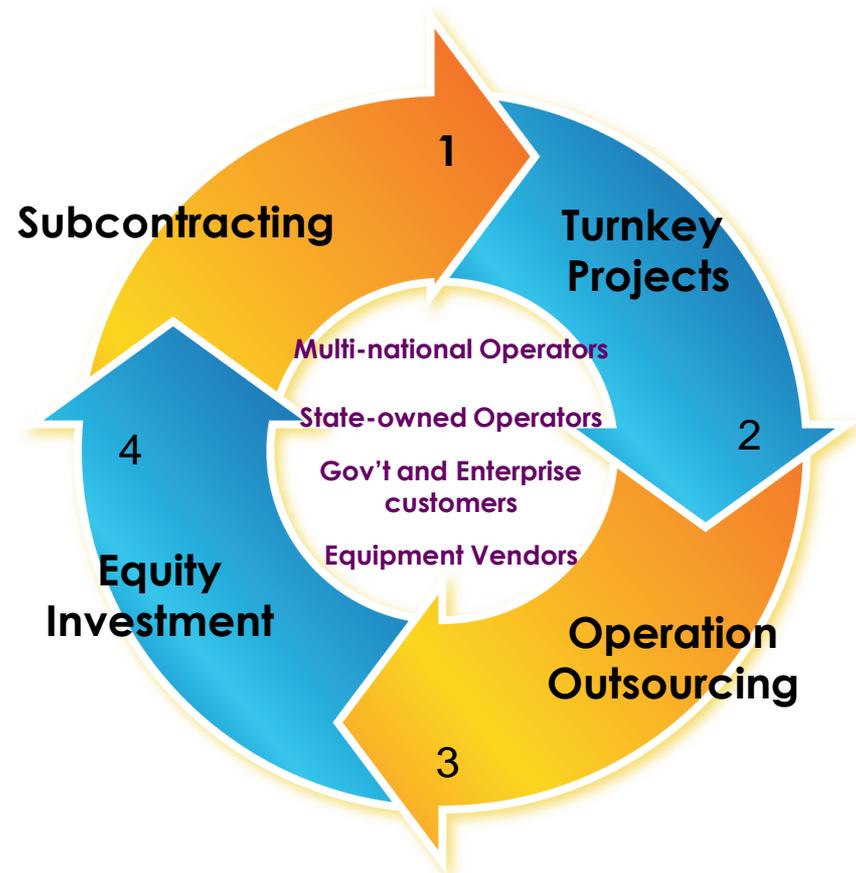
Kept improving our operational support for legal, financial, IT, to enhance our risk management capability

BUSINESS DEVELOPMENT STRATEGY: OPTIMIZATION OF DEVELOPMENT MODELS FOR THE TWO “NEW ENGINES”

Domestic Non-Operator Market



Overseas Market



2012: FOCUSING ON THREE MARKETS AND TARGETING FOR SOUND AND RAPID DEVELOPMENT

Domestic Operator Market

- Capture the opportunities in TIS businesses, including fiber optic networks, wireless networks, cloud computing and construction of IDC center, etc.
- Reinforce our recurrent businesses, such as maintenance business, and commercialize our innovative products in network optimization
- Continue to promote collaborative logistics operations, integrate distribution resources and expand logistics business
- Promote energy-saving products such as low-carbon machine rooms

Flexible Allocation of Resources

Domestic Non-Operator Market

- Focus on key businesses and key industries, and establish marketing centers and support centers for domestic non-operator customers
- Strengthen cooperation with operators, government and large enterprises to expand the market together
- Establish sales and service platforms to realize “one access point for nationwide service”

Overseas Market

- Penetrate further into the existing core markets, and expand into the surrounding regions
- Enhance our marketing ability and expand the development scale of turnkey projects
- Undertake more subcontracting projects by leveraging our partners' resources and expanding our cooperation with them
- Strengthen risk management to support scale development

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

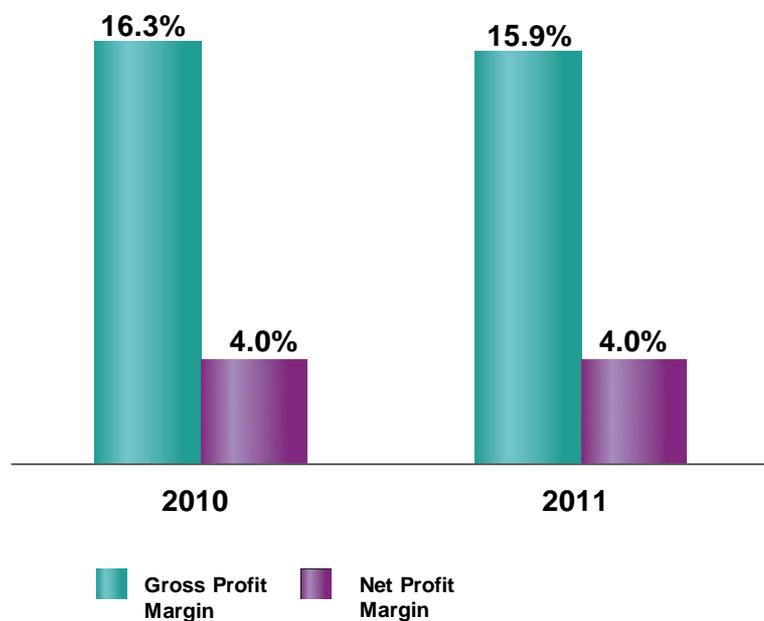
(RMB'M)	2010	2011	Change	% of Revenue
Revenue	45,417	53,507	17.8%	100.0%
Cost of Revenue	38,024	44,998	18.3%	84.1%
<i>Direct personnel</i>	7,460	8,474	13.6%	15.8%
<i>Materials¹</i>	13,506	16,196	19.9%	30.3%
<i>Subcontracting</i>	11,884	14,526	22.2%	27.2%
<i>D&A</i>	365	393	7.8%	0.7%
<i>Others</i>	4,809	5,409	12.5%	10.1%
Gross Profit	7,393	8,509	15.1%	15.9%
SG&A	5,637	6,401	13.6%	12.0%
Net Profit	1,804	2,115	17.2%	4.0%
EPS (RMB)	0.313	0.366	17.2%	N/A
ROE(%)	12.3%	13.2%	0.9pp	N/A

Note: 1. Materials refer to purchase of materials and telecommunications products

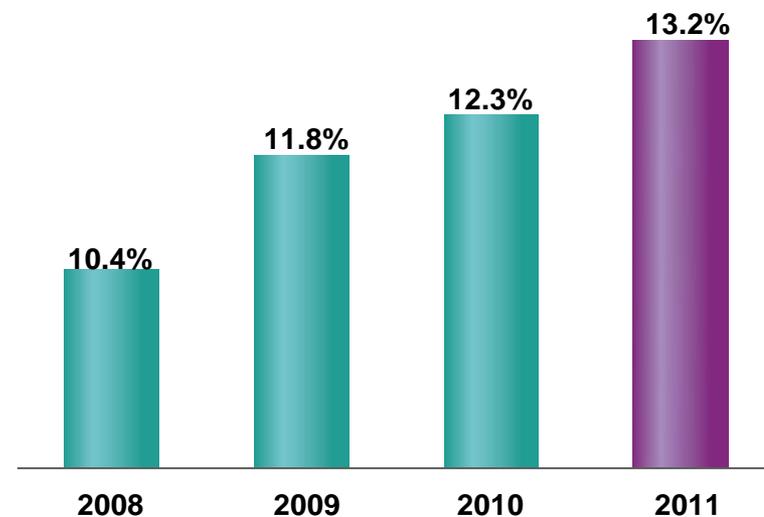
NET PROFIT MARGIN AND ROE

- ➔ Net profit margin maintained at 4.0% while our revenue scale increased by RMB8 billion over last year
- ➔ ROE increased steadily from 10.4% in 2008 to 13.2% in 2011

Gross Profit Margin & Net Profit Margin (%)



ROE(%)



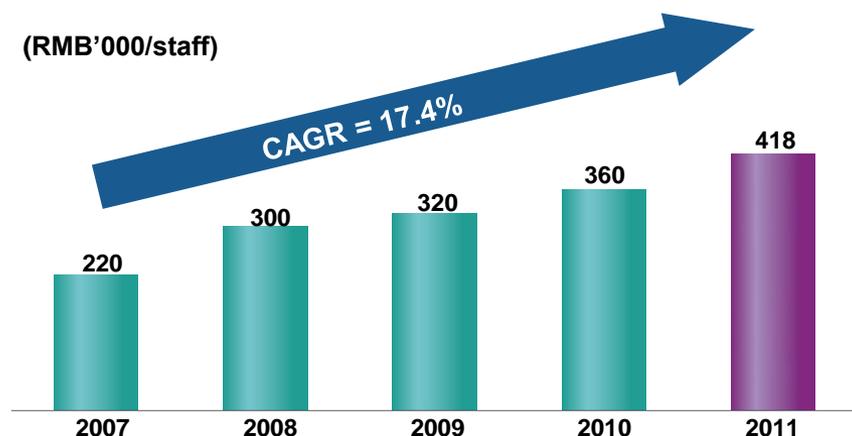
COST STRUCTURE REMAINED STABLE

Cost as a % of Total Revenue

(%)	Material	Sub-contracting	Direct Personnel	SG&A	Other	Total
2009	31.3%	23.0%	17.9%	11.9%	11.7%	95.8%
2010	29.7%	26.2%	16.4%	12.4%	11.3%	96.0%
2011	30.3%	27.2%	15.8%	12.0%	10.7%	96.0%

Labor Productivity¹

(RMB'000/staff)



Note: 1. Labor productivity= revenue over year end staff number
 2. Total personnel cost = direct personnel + staff cost in SG&A
 3. By the end of 2011, the total number of staff is 128 thousand

- With revenue achieved record high of exceeding RMB50 billion, cost as a % of total revenue remained relatively stable
- Material cost increased by 19.9% to RMB16.2 billion, which was in line with the relevant business growth
- Continued the transformation to technology and management oriented enterprise and promoted low-end outsourcing, subcontracting cost increased by 22.2% to RMB14.5 billion, which was lower than the increase in 2010
- Total personnel cost² increased by 13.7% to RMB12.3 billion, which was lower than revenue and net profit growth. Labor productivity was RMB418 thousand/staff
- Realized economies of scale with SG&A as a % of total revenue decreased by 0.4pp; SG&A expenses increased by 13.6% to RMB6.4 billion

SOLID BALANCE SHEET

(RMB'M)	31.12.2010	31.12.2011	Change
Total Assets	34,284	38,197	3,913
<i>Cash and cash equivalents</i>	8,470	7,298	-1,172
<i>Account receivables</i>	12,888	17,258	4,370
<i>Fixed assets (NBV)</i>	3,885	3,929	44
Total Liabilities	19,535	22,072	2,537
<i>Interest-bearing borrowings</i>	1,781	998	-783
<i>Account payables</i>	9,769	12,729	2,960
Equity Attributable to Equity Shareholders	14,617	16,004	1,387
Total Liabilities/Total Assets	57.0%	57.8%	+0.8pp
Debt-to-Capitalization Ratio	10.9%	5.9%	-5.0pp

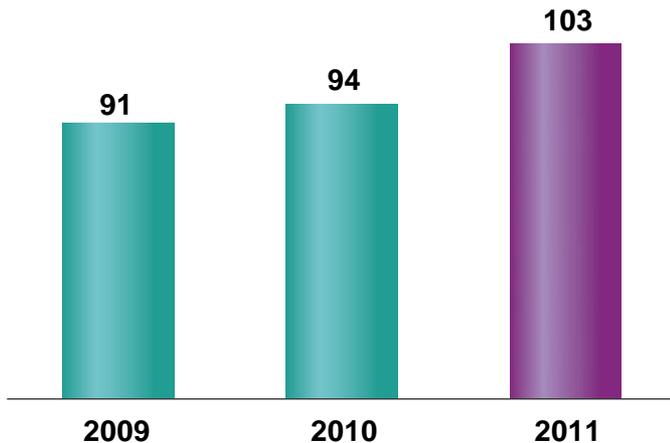
WORKING CAPITAL MANAGEMENT



In 2011, free cash flow was RMB414 million, decreased by 34.1% compared to 2010

Accounts Receivable Turnover¹

(days)



Credit tightening situation due to the macro economic environment affected customers repayment to certain extend



Certain key customers prolonged their payment cycle due to adjustment on their account payment process

Cash Flow Management



More precise management over cash inflow and outflow by cash flow budgeting



Speed up receivable collection by increasing frequency of assessment

Funding Pool Establishment



Established two levels of funding pool - HQ and Provincial

- Completed the initial centralization of cash from provincial subsidiaries to HQ
- Deployed cash from HQ according to the business development needs in provincial subsidiaries

Note:

1. Accounts receivable turnover day refers to average of the beginning and period end balance

EMPHASIZING ON BOTH SCALE AND EFFICIENCY AND ENHANCING SHAREHOLDER RETURNS

Cash Management

- Utilize proceeds from Rights Issue properly, and accelerate business development, strengthen R&D, and conduct strategic acquisitions
- Further promote funding pool establishment

Differentiated Resources Allocation

- Optimize mechanisms for performance appraisal and budgeting
- Ensure the alignment of short-term and long-term development goals



Enhancing
shareholder
returns

Intensive High-Efficiency Management

- Strengthen collaboration management
- Improve cash flow management

Risk Management

- Enhance internal control construction
- Build EMOSS¹ ver 2.0

Note:

1. EMOSS (Enterprise Management Operation Supporting System) is a commercialized IT system developed by the Company

FORWARD LOOKING STATEMENT

This presentation and the presentation materials distributed herewith include "forward-looking statements". All statements, other than statements of historical facts, that address activities, events or developments that China Communications Services Corporation Limited ("China Communications Services") expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. China Communications Services' actual results or developments in the futures, including those of the businesses that China Communications Services may acquire, may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to the level of demand for telecommunications services; competitive forces in more liberalized markets; the effects of tariff reduction initiatives; changes in the regulatory policies and other risks and factors beyond China Communications Services' control. In addition, China Communications Services makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.

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